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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Tom Forese – Chairman
Bob Burns
Doug Little
Andy Tobin
Boyd Dunn

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AZ CORP COMMISSION
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2017 APR 17 P 3:09

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR A HEARING TO
DETERMINE THE FAIR VALUE OF THE
UTILITY PROPERT OF THE COMPANY
FOR RATEMAKING PURPOSES TO FIX A
JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN

Docket No. E-01345A-16-0036

IN THE MATTER OF FUEL AND
PURCHASED POWER PROCUREMENT
AUDITS FOR ARIZONA PUBLIC
SERVICE COMPANY

Docket No. E-01345A-16-0123

**VOTE SOLAR RESPONSE TO APRIL
11, 2017 LETTER FROM
COMMISSIONER BURNS**

1
2 Vote Solar is a non-profit grassroots organization working to foster economic opportunity
3 and promote environmental benefits by bringing solar energy into the mainstream. Since 2002,
4 Vote Solar has engaged at the state, local and federal levels of government to remove regulatory
5 barriers and implement policies needed to bring solar to scale. Over the past 24 months, Vote
6 Solar staff engaged in formal proceedings related to distributed solar generation in Arizona,
7 Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Idaho, Maryland,
8 Massachusetts, Minnesota, Mississippi, Nevada, New Mexico, New York, South Carolina, Utah,
9 Vermont, and Wisconsin. Vote Solar is not a trade group and is not affiliated with the solar
10 industry.

1 While Vote Solar was not specifically named in Commissioner Burns' Letter dated April
2 11, 2017, several of the questions contained in the letter relate to issues important to Vote Solar.
3 We appreciate this opportunity to comment on these issues. For ease of reference Vote Solar's
4 comments are organized below according to the order in which they appear in the Proposed
5 Settlement Agreement filed in this docket on March 27, 2017 and are identified based on the
6 corresponding section of the Proposed Settlement Agreement.

7 **Section XII. COST OF SERVICE STUDY**

8 *Please explain the purpose of having Section XII in the Settlement Agreement. The explanation*
9 *should contain a detailed discussion of the benefits and drawbacks to each of the below customer*
10 *classes of having the requirements of Section XII in the Settlement Agreement.*

11 Vote Solar's interest in this section pertains to paragraph 12.1 of the Proposed Settlement
12 Agreement which states "APS agrees in its next rate case to make available to parties its cost of
13 service study in an Excel spreadsheet with inputs linked to outputs so that parties can change the
14 inputs as necessary to reflect their position in the case. APS will meet and confer with
15 stakeholders prior to filing to discuss the cost of service format."¹

16 Section 12.1 is necessary because of APS's change in methodology used to develop the
17 cost of service study for this case. APS's cost of service study model is developed from
18 proprietary software, rather than a publicly-accessible format (i.e., Microsoft Excel). Vote Solar
19 first encountered APS's proprietary software in the Value of Distributed Generation case, Docket
20 No. 14-0023. In Docket No. 14-0023 APS filed cost of service study results based on the
21 proprietary software and provided Excel-based files with input and outputs but not the formulas
22 necessary for intervenors to adjust inputs and assumptions and produce results. Without access to
23 a model that allowed parties to adjust inputs and assumptions and see the resulting changes in
24 outputs, Vote Solar and other parties to Docket No. 14-0023 were unable to use the model to

¹ Proposed Settlement Agreement page 14 of 32.

1 prepare their cases.² In response, the Commission's Order in Docket No. 14-0023 provided that
2 future cost of service studies must be transparent, accessible, and flexible.³

3 While the cost of service study model filed in this rate case was an improvement over the
4 model filed in Docket No. 14-0023, Vote Solar still found the structure of the model too complex
5 and too burdensome for intervenors to analyze. While Vote Solar was still able to prepare its
6 case in this docket, after significant time and expense, Vote Solar contends that the cost of
7 service model provided by APS in this case could be improved. Additional improvement to
8 transparency, accessibility and flexibility in the next rate case will avoid unnecessary
9 complication and ensure full access to all intervenors. Section 12.1 of the Proposed Settlement
10 commits APS to meet and confer with interested parties prior to filing to discuss the format of
11 future studies in order to improve public access to its cost of service model.

12 **Section XVII. RESIDENTIAL RATE DESIGN**

13 *In paragraph 17.8, would RUCO be opposed to having the on-peak periods being 4:00pm to*
14 *7:00pm; 3:30pm to 7:30pm; 3:00pm to 7:00pm; 4:00pm to 8:00pm? If yes, please explain in*
15 *detail [Vote Solar]'s opposition to each set of hours.*

- 16 • *If the Commission were to mandate one of the above set of hours, which one would*
17 *RUCO prefer ("none" is not an acceptable answer)?*
- 18 • *Please rank the above set of hours from least desirable to most desirable to RUCO.*

19 The Proposed Settlement Agreement includes a peak period definition for residential
20 customers of 3 p.m. to 8 p.m. weekdays excluding holidays. This is different from the litigation
21 position of Vote Solar's direct testimony of 2 p.m. to 7 p.m.⁴ When considered with the balance
22 of issues addressed by the Proposed Settlement Agreement, Vote Solar found the 3 p.m. to 8
23 p.m. peak period definition reasonable and supported its adoption as part of the overall
24 settlement. Vote Solar continues to support the overall settlement as a whole.

² D.75859 143:25-144:5.

³ D.75859 Ordering paragraph 160.

⁴ See Kobor direct pages 82-83.

1 In response to Commissioner Burns' specific question, the suggested 3:00 p.m. to 7:00
2 p.m. is closest to the 2:00-7:00 pm period in Vote Solar's direct testimony, which was based on
3 the percent of peak usage. For the hours covered by the question posed in Commissioner Burns'
4 letter, the hourly percentages of system peak are provided below.

5 **APS Hourly Percent of System Peak Load (HR = Hour ending)**

	HR15	HR16	HR17	HR18	HR19	HR20
Top 10 Average	95%	98%	100%	100%	96%	93%
Top 20 Average	95%	98%	100%	100%	96%	93%
Top 30 Average	95%	98%	100%	100%	96%	93%
Top 40 Average	95%	99%	100%	99%	96%	93%
Top 50 Average	95%	98%	100%	99%	96%	93%
Top 60 Average	95%	98%	100%	99%	96%	93%
Top 70 Average	95%	98%	100%	99%	96%	93%
Top 80 Average	95%	98%	100%	99%	96%	94%
Average - All Days (Jun-Sep; Weekdays)	95%	98%	100%	99%	96%	94%

6
7 To the extent that the letter seeks a ranking, Vote Solar would rank based on the highest
8 percentage of peak for the hours included in each block. We also note that the suggested 3:30-
9 7:30 block is harder to evaluate because percentage of peak data were not available to Vote Solar
10 for sub-hourly periods. Notwithstanding any of the foregoing, Vote Solar continues to support
11 the overall settlement as a whole.

12 **Section XVIII. RESIDENTIAL RATE DESIGN FOR DISTRIBUTED GENERATION**
13 **CUSTOMERS**

14 *Please explain in detail how Section XVIII will result in distributed generation customers being*
15 *treated differently than they would have been treated without this section, thereby having these*
16 *customers treated as contemplated per the outcome of the Value of Solar docket.*

17 The Commission's Decision 75859 instructs that net metering be replaced with a
18 purchase rate for excess energy to be defined in the initial round of rate cases based on the
19 Resource Comparison Proxy (RCP) methodology. The Commission additionally ordered that
20 "[r]ooftop solar customers are a separate class of customers. The ratemaking implications of this
21 separate class treatment are to be determined in each utility's rate case supported by a fully vetted

1 cost of service analysis.”⁵ The settlement agreement treats distributed generation customers as
2 contemplated by the outcome of the Value of Solar docket set forth in Decision 75859.

3 It has not been established how distributed generation customers would be treated
4 without the settlement agreement. As described in paragraph 18.3 of the Proposed Settlement
5 Agreement, the settlement agreement replaces retail rate net metering with purchase of exports at
6 the RCP. In the process of this case APS and intervenors including Vote Solar conducted
7 analyses to examine a separate solar rate class in the cost of service study. Vote Solar’s direct
8 testimony shows that solar customers pay more than their fair share of costs under current rate
9 design, indicating that rates for distributed generation customers should be lower than for other
10 customers. Evidence provided also indicates that a RCP based rate with credit for transmission
11 and distribution could exceed the rate in the settlement agreement. Understandably, the parties’
12 positions on what rates best implement Decision 75859 diverged. Recognizing that, absent a
13 settlement, the Commission’s decision after hearing could result in higher or lower rates for
14 distributed generation customers than set forth in the settlement agreement, Vote Solar
15 concluded that Section XVIII represents a reasonable middle ground when considered with the
16 balance of issues.

17 *Paragraph 18.3 sets the export energy rate for year one. Paragraph 18.4 states that this year-*
18 *one export energy rate was a result of settlement negotiations.*

19 *How and when will the export energy rate for years two, three, four and five be set?*

20 *Does EFCA have any estimates as to what the export energy rates will be for years two, three,*
21 *four and five?*

22 Consistent with Decision 75859, the exported energy rate for all subsequent years prior to
23 the approval of APS’s next rate case will be based on a formula and updated inputs, as described
24 in the Plan of Administration attached to the Proposed Settlement Agreement. As settled, an
25 adder of \$0.02/kWh will be included in the base RCP value to account for additional value of
26 avoided distribution, transmission, and line losses for all years prior to the implementation of

⁵ D.75859 Ordering paragraph 159.

1 APS's next rate case. In addition, the decrease in the RCP will not exceed 10% annually, as
2 ordered in Decision 75859.

3 It is not possible to determine the export energy rates without the updated inputs.
4 Decision 75859 ensures that the rate will be no less than the following:

5 Year 1: \$0.129/kWh

6 Year 2: \$0.116/kWh

7 Year 3: \$0.105/kWh

8 Year 4: \$0.094/kWh

9 Year 5: \$0.085/kWh

10 Vote Solar is available to provide additional detail on these, or other topics, as desired by the
11 Commission. We thank the Commission and its staff for the opportunity to submit these
12 comments.

RESPECTFULLY SUBMITTED this 17th day of April, 2017

Briana Kobor
Program Director – DG Regulatory Policy
Vote Solar
360 22nd Street, Suite 730
Oakland, CA 94612
briana@votesolar.org

/s/David Bender
David Bender
Chinyere A. Osuala
EARTHJUSTICE
1625 Massachusetts Ave. NW Ste. 702
Washington, D.C. 20036
dbender@earthjustice.org
cosuala@earthjustice.org

Timothy M. Hogan
ARIZONA CENTER FOR LAW IN THE
PUBLIC INTEREST
514 W. Roosevelt St.
Phoenix, AZ 85003

Attorneys for Vote Solar